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FINAL TRANSCRIPT

**iA Financial Group**

**Investor Session**

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## CORPORATE PARTICIPANTS

**Marie-Annick Bonneau**
*iA Financial Group — VP Investor Relations*

**Denis Ricard**
*iA Financial Group — President and CEO*

**Alain Bergeron**
*iA Financial Group — Executive Vice-President and Chief Investment Officer*

**Jacques Potvin**
*iA Financial Group — Executive Vice-President, Chief Financial Officer and Chief Actuary*

**Jacob Gershuny**
*iA Financial Group — Manager, Investor Relations*

## CONFERENCE CALL PARTICIPANTS

**Mario Mendonca**
*Analyst*

**Paul Holden**
*Analyst*

**Gabriel Dechaine**
*Analyst*

**Meny Grauman**
*Analyst*

**Lemar Persaud**
*Analyst*

**Scott Chan**
*Analyst*

**Darko Mihelic**
*Analyst*

## PRESENTATION

**Narrator**

How does a Canadian company become a key player in North America? How does a Canadian company come to manage over $180 billion in assets and 25,000 advisors in the insurance, savings, and wealth management sectors? Well, iA Financial Group succeeds by investing, one person at a time; by supporting each of their 4 million clients and thousands of employees who place their trust in us. This is the success we've achieved for over 125 years.

**Marie-Annick Bonneau** — VP Investor Relations, iA Financial Group

Bienvenue and welcome to this iA Financial Group Investor Session. My name is Marie-Annick Bonneau, and I am the Vice President responsible for Investor Relations at iA.

In the context of the transition to the accounting standards IFRS 9 and 17, we are very pleased to host you virtually today for this Investor Session under the theme, building on an even stronger capital position under IFRS 17.

Before we start with the presentations, I want to draw your attention on the following. First, this presentation is not a disclosure of financial results. It is for educational purposes only. Second, we are still finalizing our 2022 financial statements under IFRS 9 and 17. Therefore, while we will be providing certain figures during this presentation, please note that they are estimates and that they may change. Another important note is that, for simplicity, today we will be referring to IFRS 17. When we do so, it also includes IFRS 9. And when we refer to IFRS 4, the previous regime, it also includes IAS 39.

Finally, this presentation contains forward-looking statements, so I invite you to consult the notes regarding forward-looking statements, non-IFRS, and additional financial measures in the appendices of the presentation.

So three of our leaders are here today to present to you. First Denis Ricard, our President and CEO, will present our new accounting segments. He will then discuss capital deployment and acquisition priorities and present our guidance going forward. Alain Bergeron, Executive Vice President and Chief Investment Officer, will provide an update on the investment strategy, including our total portfolio management approach. And finally, Jacques Potvin, our Executive Vice President, Chief Financial Officer, and Chief Actuary, will explain IFRS 17 impacts on iA, our strategic positioning. He will also explain how we will be disclosing results under IFRS 17, starting in May, and comment on 2023 core earnings.

Today, in addition to this presentation, we released on our website two documents. First one is the Supplemental Information Package Shell that we will be using starting in May for the Q1 2023 results. Another important document is the Tool for Understanding our IFRS 17 Results. We are confident that we will find this tool very helpful when we release our initial IFRS 17 results in May. Also, for those of you who are less familiar with IFRS 17 standards, I want to remind you that last May we released on our website, and it is still available, an educative capsule titled Introduction to IFRS 17.

And one last comment. Please note that an audio replay of this conference will be available on our website for 90 days, including a transcript as well.

So now, to really start the day, let me introduce Denis Ricard, our President and Chief Executive Officer of iA Financial Group since 2018. Denis began his career at iA in 1985 as an actuary. Over the years, he has assumed different positions of increasing responsibilities in various sectors. Among other things, Denis has been Chief Actuary, Executive Vice President for Individual Insurance and Annuities, and Chief Operating Officer. So, Denis, it’s now your turn to really kick off the day.

**Denis Ricard** — President and CEO, iA Financial Group

Welcome to this Investor Session. Today, our main goal is to provide information on how to really appreciate our financial performance at iA under the new accounting regime, IFRS 17. So let's dive into the key takeaways immediately.

First of all, I think it's important to mention that the introduction of this new regime does not change our business model. We will continue to manage iA with a long-term vision. And IFRS 17 is creating some opportunities for us, and you'll see it through the presentation today.

The second thing that is important is about our capital position. Our solvency ratio at transition is now at 154 percent, 28 points above the IFRS 4 solvency ratio. This means that the new regime actually recognizes better our risk management practice, and in these turbulent times, it shows that we have a resilient balance sheet.

The third thing is about growth. And let's talk about capital available to support our growth. On top of a strong organic expansion, let's say deployment, we have close to $2 billion of capital that are available for deployment. This will support our EPS and ROE expansion going forward. And we are prepared to seize opportunities and, obviously, with discipline and prudence, as we've done in the past. We are good at managing risks and this is part of our DNA. So be sure that, obviously, we will invest that money in a disciplined way.

Now the last thing I would like to mention is about the fact that this new accounting regime, it will facilitate some of the global management of our investment portfolio. We have an opportunity to optimize our investment strategy with, at the end of the day, a favourable impact on earnings and capital. And Alain will talk more in detail about it.

Now let me just go back a bit in terms of the historical performance of iA. Since 2015, the year that we introduced the core earnings, iA has grown the core EPS by an average of 12 percent a year. And you might recall that our target was to increase core EPS by an average of 10 percent a year. So clearly, we have demonstrated that we have outperformed our target, and we want to continue to do so. Our strategy, like I said, is unchanged, and we are committed to achieving, again, the average core EPS growth of at least 10 percent a year.

Now, for 2023, what we said to the market at the last conference call, is that there's going to be a one-time increase, a transition, which will be favourable to iA, which will be in the range of the mid-single digit. So this is really important because, at the end of the day, what happened is that IFRS 17 has brought some favourable context to the Company. We have optimized our investment portfolio, and also the macroeconomic environment at the end of 2022 has been favourable on that matter. So we will build from there going forward.

Now another important key metric always to keep in mind is the book-value growth. This is a very important component of our story. We have shown that in the past, and we will continue showing it going forward. Since our IPO, the book value has grown by 9 percent per year. So you might ask me, why are you looking so—I mean, the history so long? It's because book value, you have to look at it in, let's say, in a long period because it encompasses everything. All the difference between reported and core earnings are embedded in the book value. So it really represents the value that the Company has grown for the shareholders in a long period. So for us, it's very important.

At the transition to IFRS 17, the impact was neutral, and thanks to our prudent management and our long-term vision. We will continue showing that slide, as I mentioned. And in the future, you will see that that transition to IFRS 17, we don't have a discontinuity because of the nonmaterial impact at transition. And this is despite the very exceptional year in 2022 in terms of macroeconomic environment. So this is good news for iA.

Now I’d like to introduce the new accounting business segments. Because, under IFRS 17, we took advantage of the transition to evaluate how is it that we’re going to show the Company going forward in terms of segments? And one of the, I would say, the basis of our decision was simplicity and also to align our segments to our purpose.

So let me explain to you. I mean, the purpose is basically, why does iA exist? And for us, iA exists for our clients to be confident and secure about their future. So basically, you might separate the Company in two types of products, what I call the insurance products—financial protection against life’s hazards like life, disability, P&C products; those are insurance products. And we’ve got savings products, which is more the accumulation phase for a client where they save for their retirement, for their education.

So we split our segments in those two components, and at the same time, we split it by geography. So at the end of the day, we have three operational business segments—Insurance in Canada, Wealth Management in Canada, and the US Insurance. And then, we’ve got two other segments that are supporting those businesses. We’ve got the total portfolio management, the Investment segment; and we also have the Corporate segment.

Now for the total portfolio management approach, I mean, the idea is that we will present all our investment results in that bucket. And we’re very pleased with that because, over the years, we’ve built a very strong investment team which has skills, capabilities, and they already support growth of our operating sectors anyway. So this way of showing the Company, we believe, is going to be positive, and it also will bring more disclosure going forward as you will see later.

So today, during this event, you will have the opportunity to hear from Alain Bergeron, our Chief Investment Officer, who will talk about our total portfolio management approach and the evolution of the portfolio since Q4 2021. Because, as you know, we've already started making those changes more than a year and a half ago. Because under the IFRS 17 accounting regime, you have to remember, there is a delinking of assets and liability. So for us, we were able to have a better ALM approach. And I won't give you the details; Alain will provide you more details later on. But it's very important for us because now we have a better opportunity to manage our long-term businesses in a better way.

Then, you'll hear from Jacques Potvin, our CFO and Chief Actuary. And Jacques will comment on several things: IFRS 17 impacts, our strategic positioning, our strong capital position under that regime. He will talk about profitability disclosure under IFRS 17 and, obviously, about 2023 core earnings.

And through the presentation, you will see that we have what we call guiding principles that are listed on this slide, and they're embedded everywhere in our decision-making process.

The first one is capital. And capital is a key element of our growth and it's also for the benefit of all stakeholders.

The second is about the decision-making. We make decisions for the long-term. And we also make decisions that are economically sound, decisions that create real economic value. And this is not decisions that are made just to have better quarterly results; it's really for the long term.

Another one, very important, is about our strong risk management, which is really part of our culture. And the risk management function at iA is not only the CRO's job. It's at all levels. I mean, we're very proud of the fact that in our culture, at all levels, people are aware and they're taking care of the risk of the organization.

And lastly, transparency. As I mentioned before, the combination of both the new accounting segments and the increased granularity from the new accounting regime will bring more disclosure for you guys and for the investors.

**Marie-Annick Bonneau**

Thank you, Denis, for these opening remarks.

Our next speaker is Alain Bergeron, who will be presenting to you today from Toronto. Alain has been iA Financial Group's Executive Vice-President and Chief Investment Officer since September 2019. He has a master's degree in financial engineering. He is also a CFA and a Chartered Market Technician. Prior to joining iA, Alain was a Senior Vice-President at a leading asset manager, and he also worked for over 10 years with CPP.

Now to you, Alain.

**Alain Bergeron** — Executive Vice-President and Chief Investment Officer, iA Financial Group

Hello. I'm happy to be with you this morning.

If I had a single message for you today, it's this: Even though we were able to find opportunities with the new regime, our core approach, it has not changed. We have stayed true to our prudent and disciplined DNA. In fact, when we built portfolios, we have two key goals in mind. You can see them on the left side of the slide.

The first is to generate attractive return on capital. The second is to manage risk tightly; to manage risk in a disciplined manner grounded in asset/liability matching. That's been true in the past and that's still true today under IFRS 17.

Over the years, we've demonstrated that our approach has delivered on these goals and has supported iA's profitability. It's been capital efficient, and the balance sheet has been resilient to many shocks, like a pandemic and recent market events.

About IFRS 17. The challenge is that earnings will be more volatile under that regime. So if we had kept the portfolio unchanged, the earnings would have become a lot more volatile. The work that we've done and that I'll be sharing with you today, it has mitigated part of this increase in volatility.

Now at the last Investor Day, I said that we saw opportunities with IFRS 17. At a high level, IFRS 17 for iA, it unlocks better portfolios. It's another way of saying that for the same risk, for the same asset return assumptions, for the same regulatory capital, we can build higher return portfolios.

Now let me explain why is this possible. This change of accounting and the choices that we've made at iA, including opting for fair value to P&L, that's allowed us to better align the accounting regime, the capital regime, and our internal view of economic risk. Ultimately, this alignment is like removing constraints. And removing constraints, that allows to move the efficient surface up. And by the way, I'm talking here about efficient surface. It's simply to recognize that we optimized for three important factors: Return, risk, and regulatory capital.

Now there's an opportunity to move the surface a bit further up by using a total portfolio management approach or TPM. What is TPM? The goal of TPM is to optimize the overall balance sheet. Essentially, with TPM, we can better capture the diversification benefit of having multiple different lines of businesses.

Why do I say that? Well, liabilities across various lines of business, they have different profiles. Think of group annuities versus life insurance. By optimizing the overall balance sheet, we can increase asset efficiency. And by that, I mean that assets can be used to manage the biggest risk for iA versus a piece-by-piece optimization that don't see the overall balance sheet risk.

Now optimizing a portfolio, finding the most efficient surface, this is highly complex. So to push that surface even higher and take full advantage of TPM while having advanced technology, leveraging computing power, that makes a difference. So we've been building advanced portfolio construction capabilities for the last two and a half years. We've hired world class expertise and built advanced infrastructure so that in 2023, we can be optimized for IFRS 17.

Now we didn't reinvent the wheel here. Our TPM approach is something similar to what you'd find at some of the largest and most sophisticated pension funds. Out of these three elements, the biggest benefits come from the element one on the slide.

So then, why bother with element two and three? Well, it's important to keep in mind that even small improvements to the portfolio, that can have a significant impact to iA's earnings. For a $40 billion portfolio, each basis point of extra return means an extra $4 million a year in profits; 10 basis points is $40 million. So it's worth fighting for every basis point. It moves the dial and here, it's in the context of course of same risk and same regulatory capital. It's a combination of these three elements that form the global approach that we refer to as total portfolio management and allows us to capture the opportunities associated with IFRS 17.

On the investment team, we've been proactive. In early 2020, we started making meaningful investments and enhancing our capabilities to enable IFRS 17 optimized strategy. In terms of the portfolio, our transition began in Q4 2021. It continued throughout 2022 up to the first quarter of 2023, and it's now essentially completed. Going forward, of course, we'll continuously be looking for ways to fine tune, to refine, to optimize further, but we are getting into the realm of business as usual. We were able to transition ahead of time. That gives us flexibility. That gives us buffer. This was an orderly transition. We didn't have to pay out for liquidity or compete for assets.

There were two main portfolio changes. One was to add about $3 billion of corporate bond exposure, and two was to lengthen the duration of our fixed income assets. There are several benefits of this enhanced portfolio. First, it increases expected return, and that's mainly coming from the increase in corporate bonds. Another benefit is that it increases the liability matching. That's due to both the lengthening of asset duration where our assets got closer to the liability duration, meaning we're reducing interest rate risk. That's also due to the increase in corporate bonds.

And let me repeat this because it's very important. Buying corporate bonds from our starting point, it decreases ALM risk. So this reduction in ALM risk, it mitigates part of the IFRS-17-related increase in reported earnings while it also reduces the volatility of the solvency ratio. The third advantage is that it results in a slight decrease in investment-related regulatory capital.

Let me drill down on the risk side of things for a second. I've already talked about the reduction in ALM risk. Now of course, I want to point out that by increasing allocation to corporate bonds, we somewhat increased credit risk. So net-net after this transition, the composition of the risk changes but the overall quantity of economic risk is about the same. The risk is also well within our risk appetite.

The resulting portfolio is completely aligned with our investment objectives and our prudent DNA. Its designed to support iA's profitability, to be capital efficient, but also to be resilient. You can see the portfolio to the right. A few elements I thought I would highlight.

One, this is a fixed-income-oriented portfolio; 68 percent in bonds matched against liabilities. Those bonds are high-quality assets with a high credit rating.

Two, our exposure to equity market tends to be prudent. Take our private equity, for example. Two things to know. One, more than half is in infrastructure. And two, for those investments that are in pure private equity, they have less leverage and we have very little venture capital.

Third point is that while there is uncertainty in the real estate market, our investment properties, they are capital efficient, they have long-term leases, and a large portion is leased to government. That should help mitigate some of the uncertainty associated with that sector. Case in point, 2022 was quite a volatile year in the market. It was a great year to demonstrate resilience. I am very pleased with the behaviour of our portfolio as a whole during 2022.

The last point I'd like to make is that the portfolio exposures will not be completely static over time. Under IFRS 17, as market conditions change, the efficient frontier moves. And when the efficient frontier moves, the initial portfolio becomes suboptimal. So by re-optimizing, we come back to the frontier. That means that we enable additional value, either via better return, lower risk, or lower regulatory capital. And by the way here, I've only put the two-dimension frontier on the slide to keep the illustration simpler.

So what's the implication? The implication is that, over time, as market conditions evolve, as our sales mix changes also, you may see our exposure evolve so that simply put, we remain optimized.

So I have three takeaways for you today. First, we've been proactive. We looked for opportunities in this change; we've built the portfolio construction capabilities, the infrastructure, well in advance; and we transitioned the portfolio in a very orderly way. Second, in the current environment, our portfolio has higher expected returns, a higher ROE. And while the composition of risk has changed, the total quantity of risk is similar. Third, our prudent DNA. That has not changed. Our portfolio continued to be grounded in ALM and designed to be prudent, designed to be resilient.

Thank you very much, and I'll be happy to take questions at the end.

**Marie-Annick Bonneau**

Thank you, Alain, for this update on the investment portfolio.

I now want to invite Jacques Potvin, Executive Vice-President, Chief financial Officer, and Chief Actuary. Jacques is an Actuary with more than 30 years of experience at iA. Prior to his current position, Jacques occupied different senior roles at iA including as Chief Risk Officer.

It's now your turn, Jacques.

**Jacques Potvin** — Executive Vice-President, Chief Financial Officer and Chief Actuary, iA Financial Group

Thank you, Marie-Annick. Good morning, everyone.

I would like to start by providing an updated information about our IFRS 17 key metrics. I give more details about most of them in the following slides, but I want to comment on two right away.

First is the favourable impact on our core ROE at plus 3 percent (0.3 percent[1]) and our capital available for deployment at $1.8 billion as of the beginning of 2023. We have to remember that when we navigated the transition in 2022 under very volatile circumstances in regard of macroeconomic environment. So we are very proud of all those key metrics. We look really great under IFRS 17 as well.

Let's now look at the book value. For this slide and the following slide, I will use the same approach, to start with the IFRS 4 number and to move to the IFRS 17 number by giving what happened in between. For the book value, you can see that we had to establish a CSM. That reduced the book value,

[1] The reader should note that the speaker intended to say 0.3 percent as opposed to 3 percent.

but at the same time, we needed to make all the adjustments required from the transition from IFRS 4 to IFRS 9/17. I split the impact of those adjustments in two different metrics.

The first one is all the provisions that we were holding that were, I would say, common practices in Canada. In the second bucket, what differentiates us is the fact that we had additional provisions above the common practices in Canada. You will remember that we often spoke about the market protection in the past. So the net of those is a neutral impact on our book value, and we are very proud of that.

Let's now turn our attention to the core EPS level, another metric that has been positively impacted by the transition to IFRS 17. There are four elements that are affecting the core EPS. The first one has to do with our individual life insurance, so long-term businesses. Actually, IFRS 17, the timing of the investment profit or reinvestment profit, the timing and sensitivity, is different under the IFRS 17 rate compared to IFRS 4, and both of them are positive for iA.

The second element is the acquisition costs of our seg fund business, the new business. Under IFRS 4, we were not deferring those costs. While under IFRS 17, we need to defer those costs. The third element has to do with what Alain explained earlier. By moving to the total portfolio management, we're adding real economic value. And you will remember, for the fourth element, that last year, we did front-end some profit on our strain in our individual life business, so we have to count that out of the EPS. So the net result is a positive on the core EPS.

Let's now look at the solvency ratio. We can see that now the solvency ratio fully represents our financial strength. Why? Let's start with the solvency ratio under IFRS 4. Look at the first column of adjustment. I told you two slides ago that our book value impact is near neutral. So no impact whatsoever on the solvency ratio. If we would have had to reduce our book value, it would have reduced the solvency ratio. That would have been a negative impact there.

The two other elements are really a consequence of the changes that the regulators made to the solvency ratio formula. The first one is the scalar. So it’s now at 1, so it means that there’s no more any scalar. So we benefitted from that. And the other one is the adjustment to now work with the CSM rather than the previous PfAD, so the surplus allowance. This one also is a big positive for iA. So we are ending with a very strong solvency ratio at 154 percent.

Let’s now speak about the volatility of our ratio. I just mentioned that under IFRS 4 we had a market protection. That protection was absorbing some volatility. Now we no longer have that market protection, so our solvency ratio is mark to market. However, look at those sensitivities. We are very proud of them. They are very low thanks to our total portfolio approach and the improvement in that asset liability management strategy that we just implement.

You see here many different sensitivities but you have to keep in mind that there’s diversification, so they are all not moving in the same direction at the same time. Also, I would like to draw your attention, when you look at the private, non-fixed income asset, that within that portfolio, we have real estate, we have infrastructure, and private equity. So there’s already diversification there. So a 10 percent variation is much more removed than for the public equity.

So we are very proud of the sensitivity of our ratio. And actually, you saw the solvency ratio at the end of 2022 despite a very volatile year, it faired very well, a testimony to those sensitivities. And even if we didn’t implement everything in regard of our ALM strategy.

Let’s now speak about the capital available for deployment. So we start with the $350 million available under IFRS 4. We have to add that 28 percent additional solvency ratio, but we have also considered two other elements. The first one is that, as I mentioned, our solvency ratio now is mark to market, no longer having a market protection. So we use our strong, our robust internal risk model, and we calculate what is the level of target operating ratio we should operate at to have the same comfort as before with our 116 percent. The result was 120 percent. I want to give my two cents on that, though. When I look at the sensitivities, the previous slide, I feel personally that we are more comfortable today at 120 percent than under IFRS 4 at 116 percent. Anyhow, we use 120 percent. So this reduce the capital available for deployment.

The other element is exactly the same as what we were doing under IFRS 4. Actually, there are five different constraints we need to live with when we deploy capital. There’s a total ratio, there’s a core ratio, the leverage ratio, percentage of Tier 1 versus Tier 2, as well as percentage of pref and LRCN over the Tier 1 capital. So we need to make sure when we simulate an acquisition, that we meet all those constraints. We will use the same approach as under IFRS 4. It means that we will calculate that number using the most punitive acquisition. When I say that, is the one that has the most punitive impact on the solvency ratio. And for the moment, for us, is deploying into goodwill or intangible assets.

So taking all that into consideration, we’re ending up with a very strong $1.8 billion of capital that is available for deployment at the beginning of 2023. I also want to draw your attention to our favourable leverage ratio at 16 percent.

Let’s now move to earnings sensitivities. We’ve made the choice to use fair value to P&L for all our assets and liabilities, even including the assets supporting surplus. It is important to understand that it has no consequences whatsoever on the book value and the solvency ratio. Indeed, all gain and loss, whether they go through P&L or OCI, they will impact the solvency ratio and the book value.

So here, I’m really speaking about the earnings, the reported earnings and core earnings. Why did we make that choice? It’s because it better aligns our reported earnings with our solvency ratio sensitivity and our own economic view. So it will make it easier for our investment team to add value to it, the organization and the shareholders, when they will take decisions for investment.

However, the consequence is that our reported earnings will be quite comprehensive. All volatility will flow through it. There won't be any flowing through the OCI beside; everything will be there. So it will be more volatile.

This is why it is so important to recognize that the core earnings will be the best indicator of earning power. I cannot resist to make a comment about a weakness of IFRS 17, and I mentioned it in the past. It's a great standard; however, it uses short-term lenses to value all businesses. And my strong belief is that it's not appropriate for long-term business at all. And iA, we have a big chunk of our business that is long-term. That's why that core earning definition is so important.

So core earnings is really the KPI to use to measure the performance of iA, year in, year out. You will see here the definition. Many elements are not changing at all from IFRS 4. And for the economic element, you see here that we use a simple way to do it. Actually, for non-fixed income assets, is really the expected long-term return that is considered. For interest rate spread and currency, we are assuming an unchanged economic environment, so keep it really simple.

The movement of those parameters will then be shown as noncore, and they will become the basis for the following quarters' expected core earnings. This will trigger some volatility into the core earnings, and we provided those sensitivities in appendix.

I would like, first, to concentrate on the bottom of the page, which are the elements that are affected by the macroeconomic environment. They are the same as under IFRS 4. And the reason why we expect it to be more sensitive is really because of the delinking between the assets and liabilities. You will see, though, that they are quite acceptable, the sensitivities; that they are a diversification that you need to consider there. And also, Alain explained it earlier, that we will not stay idle; we will optimize our situation, depending on the circumstances.

Another important metric that comes with IFRS 17 is the CSM. It is an important metric, but it is not a holistic metric. It gives an indication of future earnings but doesn't take into consideration the capital required to support that business. So you cannot conclude because we have a big CSM that … If you create a big CSM with a new product, that necessarily that product is more profitable than another.

Nonetheless, we expect our CSM to grow by high single digit. We rather prefer the organic capital generation. Indeed, that metric recognizes everything. It considers core earnings, organic CSM growth, but also factors in the capital that is required to grow that business. So to have that core earnings and that growth in CSM. That KPI recognizes good risk management as well as pricing discipline. This is a key metric we will continue to provide every quarter, and we expect the 2023 organic capital generation to be bigger than in 2022.

For the following four slides, we are providing them to help you understand the new reporting format. We hope that it will help you to have a better understanding about the different moving path as well as helping you to build your own model. I will make a few comments on each slide.

The driver of earnings will replace the source of earnings. It provides a comprehensive view of the profitability. And here, you can see that we're providing an estimate of the contribution for each element.

Here, you'll find the distribution of our different businesses in each sector, the methodology, the accounting method used for each of them. We're also providing an estimate of the contribution for each element.

One thing I want to draw your attention to is the investment. We have one investment bucket. This is completely consistent with our total portfolio approach. So this will include the return of the net investment return considering all of our asset and the cost of all our liabilities. We expect, actually, that element to be the most volatile.

Here, it’s the source of earnings compared to the driver of earnings. We wanted to show you how the expected profit of in-force will flow through into the driver of earnings. It gives much more visibility. And you have to remember that you will have also the CSM reconciliation, as well as the risk adjustment reconciliation. So all those elements combined together, we’re providing much more visibility on the performance than the source of earnings.

On this slide here, it’s really the gain and loss; how they translate into the driver of earnings. You can see that for the insurance service result as well as the investment, we will continue to report experience gain and loss. However, it won’t be the case for non-insurance activity and other expenses as they will be comingled with the expected.

One element, also, I want to draw your attention. Some gain and loss that were part of the P&L under IFRS 4 are now affecting the CSM. So they will flow through the P&L in future quarters.

I want now to come back and make a few comments about our 2023 core EPS growth driver. We told you at the Q4 conference call that our expected growth was 10 percent plus a mid-single digit. So here, I’ll make a few comments about the drivers.

First, I repeat, always the same, the total portfolio approach is adding value. After that, I will say that the in-force profitability, our capacity to grow the business, our commitment to invest in our future through our digital transformation are also all affecting 2023. However, I want you to keep something in mind. I spoke about the sensitivity of the core EPS coming from macroeconomic environment. So in 2023, the macroeconomic environment will affect the core EPS.

Let's now conclude. I hope that presentation demonstrates our strong financial position. It's a testimony to our long-term vision, our strong risk management, and disciplined approach. We keep this vision, discipline, and focus under IFRS 17. The measurement changed, but the underlying business stayed the same and even improved with our ALM strategy. The increase in book value, the core earnings, and organic capital generation will continue to be key metrics to value our performance going forward. And I hope as well that the information we provided you will help you to build your own model and have a better grasp about iA's performance under that new metric.

Thank you very much.

**Marie-Annick Bonneau**

Thank you, Jacques, for these explanations on how to look at iA's financial results from now on.

I will now invite Denis, our CEO, to come back for some additional comments. Denis?

**Denis Ricard**

As you've seen in the presentation from Jacques, we have a very strong capital position under the new regime. And there's significant amount of capital available for deployment, as we said, near to $2 billion. And in these, I would say, turbulent times, we are very comfortable. I mean, this is a very comfortable position for the Company in terms of financial strength. And at the same time, we have the ability now to seize opportunities to pursue our growth. So deploying capital will support higher profitability and also the ROE expansion over time.

And in terms of the strategy, the strategy is unchanged. And so our capital deployment priorities are, first of all, obviously, the organic growth. It's the top of our priorities. And we're very pleased because in all our businesses, the products that we offer meet our threshold of profitability. So this is really our focus.

Second is about growth by acquisition. It's a priority. We continue to have a disciplined approach to acquisition because we have clear decision criteria. It has to fit our strategy. Cultural fit is important. We need a growth story, obviously, synergy with our businesses. And we have quantitative criteria as well, meeting our core ROE threshold and being accretive to earnings.

Now, in terms of targets, well, we would be interested in growing all our businesses, obviously. But more likely, there are some divisions that there are more opportunities. And I would give the example of the US, for example, in the various businesses we're in. Whether it's on the Life or Dealer Services division, there are some opportunities. And those are more likely than in Canada, where there are less opportunities.

But even in Canada, we'd be interested to, obviously, grow by acquisition. There are some businesses that have been foundation businesses where we could grow. And also on the retail distribution in Canada, there are some opportunities. So keep that in mind; we're open to various opportunities. But we will stay disciplined.

And then, we are committed to our target payout ratio in terms of dividend, between 25 percent and 35 percent. And lastly, we will continue to use the NCIB as an opportunistic tool, I would say. And we've been more active recently. And with the current price, we are continuing to be opportunistic.

Now I would like just to give a preview—not a preview, but let's say a historical view of, let's say, our acquisitions in the past 20 years. We've acquired a lot of companies since we demutualized in 2000. And that has fueled our growth, first of all. Second, we have diversified our business mix during that time.

And it allowed us to invest in less capital-intensive business over the years. And this has led to a stronger ROE going forward.

Now these acquisitions, they played an important role in helping us reach a strong leadership position in many lines of business; I'll talk about that. We've built competitive advantages over time, and we've created synergies between businesses. And so when I look at it, in the Canadian dealer businesses, for example, Dealer Services business, it's a good example, we have built a very strong leadership position in Canada. And this is what we're trying to do right now in the US.

On the Wealth side, we've also grown the business significantly, mostly on the retail distribution side, as we are in this field right now. And we've entered the US more in 2010 and '20 in the Life side, but also on the US Dealer Services in 2018 and 2020. And we are pleased to say that this is a place where we continue. We want to grow, we are in the top 10 right now, and we want to grow. And that business has shown some resilience recently, even in a more difficult situation of the pandemic. And now that we've pretty much completed our integration, we're now back to, obviously, on a growing mode in that business.

This slide is very important. There are two points that I would like you to remember on this slide. The first one is that we've done several acquisitions since 2015 since we measured the core ROE. And those acquisitions have fueled the ROE expansion over those years. We've integrated those acquisitions, those businesses, and basically, they have been very favourable to our earnings progress over the years. That's the first thing.

The second thing is, during all those years, we've been able to deliver ROE, core ROE, within or above the guidance that we provided to the market. So the last thing I would like to mention is that, going forward, because of the transition to IFRS 17, we will commit to a 15-percent-plus ROE. So we have delivered on our guidance in the past and we are confident that we will deliver on this new guidance going forward.

So I think this is a very important slide where we are going to show what the guidance will be going forward as we enter this new regime. Now you'll see that we may still provide some short-term guidance if needed. For example, for 2023, we've said that with more precise guidance because it was more difficult for the market to assess. But going forward, it's going to be more medium-term guidance that we want to provide to the market.

So I confirm that we will continue to aim for an average annual core EPS of 10 percent or even more. I also would like to confirm that we want to increase the core ROE target. Right now, so far, it was from 13 percent to 15 percent; that was the target range. And now we're saying that we are targeting a 15-percent-plus ROE. And obviously, that target should increase as we deploy our capital.

In terms of our solvency ratio under the new regime, now the target is set as 120 percent, a prudent level in the context of this new accounting regime and also taking into consideration the sensitivity of our capital ratio. In terms of organic capital generation, we are providing a 2023 guidance which is at the level of $600 million. Very strong. Finally, our dividend payout ratio target range will continue to be between 25 percent and 35 percent of core earnings. Those are very solid targets and we are putting all our efforts to achieving them.

So let me just make a summary of what we said today. In a nutshell, our business model stays unchanged. We will continue to manage our company with a long-term vision. And IFRS 17 has created some opportunities, as was mentioned during the presentations. We will continue to focus on our capital. We have a very resilient balance sheet in these turbulent times.

And in terms of growth, we have the power to grow. We have close to $2 billion of capital available that we will obviously deploy in a prudent manner. That will fuel the EPS and ROE expansion going forward. We are ready to seize opportunities with discipline and prudence. As you know, this is part of our DNA. We manage risks in a prudent manner.

And finally, we've taken the opportunity, in terms of investment, to look at our investment in a global way; better asset liability management. We have optimized our investment strategy, and that has led to a favourable impact on earnings and capital.

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## Q&A

**Marie-Annick Bonneau**

Thank you, Denis. It is now time for the Q&A session. As usual, only financial analysts can ask questions.

So we already have a question. Mario Mendonca will be first to ask a question. Hi, Mario.

**Mario Mendonca**

Good morning. Can you hear me okay?

**Marie-Annick Bonneau**

Yes. We do.

**Mario Mendonca**

Let me just start by going to the notion that the risk hasn't changed in the investment portfolio. I think I understand what Alain was saying there, that the credit risk is higher, the ALM risk is lower, and it's balanced overall.

But let me ask it this way. If there were credit losses emerging on this larger BBB-rated fixed income portfolio, those credit losses—and I'm not referring to losses related to changes in rates, but if there were actual credit losses—would those be reported in core earnings? Or outside of core earnings?

**Jacques Potvin**

Hello, Mario. Jacques speaking. Yes. They will be part of core earnings.

**Mario Mendonca**

So credit losses are part of core.

**Jacques Potvin**

Yeah.

**Mario Mendonca**

So the part that's removed then is—what part is removed then? Just to refresh my memory.

**Jacques Potvin**

Could you repeat the question, Mario, please?

**Mario Mendonca**

Yeah. What would be removed then? Because my understanding is that the expected return—

**Jacques Potvin**

Okay. In fact, what would be removed is the change in interest rate, the change in spread rate, as well if, for a specific asset, you have a change degrading of that asset without having an actual default. That will be part, also, of noncore. That will be moved to noncore. But any actual default will be in core.

**Mario Mendonca**

That's an important point. Thank you for that.

And then I think you folks also stated that 2023 is a special year because there's that one-time lift. So if you've described it already, maybe you could just let me know again. How much are you talking about, that one-time lift in 2023? If we start at 904 as our starting point for 2022 under IFRS 17, how much of a lift are we talking about before we can start to think about the 10 percent growth from there?

**Jacques Potvin**

The way I will answer that one, Mario, is it's coming from the four elements I mentioned in the slide that the reconciliation between the core of IFRS 4 with IFRS 17. And in those, I mentioned three elements that are on the positive way, the asset total portfolio management, but also the fact that we no longer defer acquisition costs on seg funds. So this amount will vary with the level of sales we will make.

And the other one is also that for the reinvestment and investment risk for our long-term businesses individual insurance, the timing as well as the sensitivity is different. So they are positive; they are all positive. So those are the elements that will create that one time. So after that, it will be IFRS 17 over IFRS 17. So you won't see such an impact. But like we said, we provided you in the slides, we provided you the sensitivities on the core earnings. So there will be some sensitivities there, but you can use those sensitivities to, I would say, project according to the scenario you want.

**Denis Ricard**

I just want to add, Mario, that as was mentioned the last time, compared to IFRS 4, we had this guidance for 2023 between, we said, between 13 percent and 18 percent, which was based on the last year-end macroeconomic environment. So this still is valid at this point.

**Mario Mendonca**

Okay. So 13 percent to 18 percent building off of the IFRS 4 core number for 2022. That would be the appropriate—

**Denis Ricard**

Yeah.

**Mario Mendonca**

—starting—

**Denis Ricard**

And I would add, based on the reality at the end of the year 2022. I mean the macroeconomic environment. Yeah.

**Mario Mendonca**

I understand. Thanks very much.

**Marie-Annick Bonneau**

Thank you, Mario.

We now have a question from Paul Holden. Paul?

**Paul Holden**

Thank you. Good morning. Very helpful presentation, by the way. So thanks for doing this.

So I guess two questions, both, I think, probably for Denis. So first off is in terms of that ROE objective, both in terms of the overall business and ROE being a priority in capital deployment. Can you kind of talk about how you're thinking about the capital intensity of the various businesses you might be looking to acquire? How big a consideration is that?

**Denis Ricard**

Well, the way I would like to answer your question is that, I mean, in all our businesses, we're very pleased with the level of profitability when we measure it in terms of ROE. All our businesses are within the target that we provide. So whatever the business, we would be interested in investing in them.

Now, as you know, there are some that are a bit more capital intensive. But still, I mean, we would be able and ready to invest in a capital-intensive business if it provides an ROE that is satisfying according to our target.

So for me, the way I look at it going forward is that, I mean, it's more a matter of opportunity within the businesses that we're in right now, as opposed to, let's say, choosing necessarily one versus the other, i.e., if there was a life insurance business for sale, I mean, we would be there to bid on it.

But the reality is that there are businesses where there are more opportunities, for example, in the US, in the US dealer businesses, for example. Even in the US life, in the US we're looking at, and there are more opportunities than in Canada at this point. So to me, it's very open in terms of businesses we would be interested in.

**Paul Holden**

Okay. And then second question. With the amount of organic capital that you're generating and strong history of meeting that or exceeding that target, why not think about increasing the dividend payout ratio? You're maintaining it at a, what I would call a fairly conservative level. Why not increase that over time?

**Denis Ricard**

Good question. I mean, the fact is the reality of having so much, I would say, capital to deploy is kind of new for us to some extent. And we really want to focus on growth. And this is the mandate that I have. This is the mandate that my executives have. So we're looking at opportunities, organically, also. We're investing significantly in technology. This also uses some of the capital, but at the same time on inorganic side. And we'll see as we go. And I mean, our options are there. At some point we may change our mind, but at this point there's no intention to change the target range of the dividend.

**Paul Holden**

Thank you.

**Marie-Annick Bonneau**

Thank you, Paul.

So the next question is from Gabriel Dechaine. Gabriel?

**Gabriel Dechaine**

Good morning. Thanks for hosting this event. I have a follow-up to Mario's line of questioning there. The sensitivities, given the greater allocation of corporate bonds, is there any thought towards putting sensitivities around defaults on an annual basis? What you're assuming and what a variation against that assumption could mean? Because the sensitivities to spread movements looks insignificant, but there's other risk associated with this move.

**Denis Ricard**

Well, yeah. I was going to say, obviously, I mean, we're open to suggestion. And maybe, Alain, I would leave it to Alain maybe to make a comment on that versus this various sensitivity we have right now. And if you want to add, Jacques, I mean, after that, it's okay. Maybe, Alain, I'll leave it to you at this point.

**Gabriel Dechaine**

I guess I'd throw in there, while Alain is talking, what happens, because it seems much more optimal from an earnings and capital standpoint now to have such a bigger allocation of triple-Bs. But what happens when, from a capital standpoint, when some of those might end up in double-B?

**Alain Bergeron**

So maybe one thing I'd say is, when we talked about the fact that the composition of the risk had changed, but that the aggregate risk was about the same, it's really the composition of a multiple VaR analysis. So looking at various outcomes and negative tails, and it changes the type of scenarios. But net-net, the VaR is about the same. So we've changed, as I think, as we're trying to communicate, some tail risk from others, but broadly speaking, exposure to tails are limited and of the same magnitude.

But I think your question was more in terms of, can we provide additional disclosure on that. And if that's okay, Denis, I would return it to Jacques. I'm not sure if there were—I don't know—we'd welcome probably suggestion, but I don't think we've had internal discussion about additional disclosure yet on the potential default.

But just before I return it and they put me back on mute, I would say that it's still, if you can look at our portfolio and then we disclose that every quarter, we have the credit rating of the A, single-A, double-A, the triple-B, et cetera, et cetera. So just based on that, I would say that with your internal modelling, you can probably already make some educated guess.

**Jacques Potvin**

And maybe I will add to what Alain said, the fact that we exposed ourselves that $3 additional billion. We did it, and the spread in the market were really great. So we get a good compensation for taking that risk. And overall, like Alain mentioned, we have reduced the ALM risk.

So overall, we have the same risk profile as before, different risks, but the same overall risk profile. So I understand that you concentrate on this one. Like I mentioned to Mario, every loss, every default will be part of core. That will be visible. And the change in spread rate, the change in credit rate will be non-core. We will see over time, there's the SIP that we have disclosed this morning. We will see over time if there's a need for additional information, and we will adjust. We're just beginning our journey with that standard.

**Gabriel Dechaine**

Okay. And just a second question, I guess for Alain as well. You talked about your efficiency frontier. And as the market conditions change, that frontier will change, and you'll make adjustments to your portfolio allocation accordingly. The current market environment has changed quite a bit. And I'm wondering, this is a real-life example. Is this A, one where your efficiency frontier changes? And B, what are the some of the things that you could be doing? Because it would seem like with even wider spreads, you might see an even greater allocation to corporate bonds.

**Alain Bergeron**

Yeah. In a way, what you're asking is what type of order of magnitude of movement would we need to see in order to start to re-optimize? And so there's a trade-off here. So in theory, you can run this re-optimization daily and make minute changes that are not impactful in any way, or you can wait for very large movement. Right now, we're more in the mindset of waiting for large movement. We're watching, we're seeing if—essentially, the goal is, is the change enough to be worth a new transition?

And I would say between December and now, we haven't—maybe fine tuning—but we haven't found that it was sufficient to do a re-optimization and repositioning. So that gives you maybe a sense of the size of magnitude required for. Now it's not just one variable; it's the set of all variables together that matters. So just at the same time, it's a good example, but each example is different.

**Gabriel Dechaine**

Got it. Thank you.

**Alain Bergeron**

Welcome.

**Marie-Annick Bonneau**

So our next question is from Meny Grauman. Hi, Meny.

**Meny Grauman**

Hi. Good morning. Just wanted to follow up on Gabe’s question in terms of Slide 18 and just ask, is the expectation that the efficient frontier will continue to move to the left? I mean, it seems like it could move both ways. But is this sort of indicative of the signal being that we could continue, or IA could continue to lower risk and increase return, that there’s still more potential there for that? So that’s the first question.

**Marie-Annick Bonneau**

Alain?

**Alain Bergeron**

Yes. The frontier can move up and down. Okay. So market conditions are the way they are. If, for example, overall, the interest rate goes down, if prospective future market condition, which we have nothing to do with, then the frontier move up and down, then you’ll see many external providers talk about where the frontier is for capital markets. So capital markets are what they are, so move up and down.

Our work, then, is when that frontier changes, that the portfolio remains at the optimal. So that if you fix two of the three variables, then the third is maximized. So if you fix capital, you fix the quantity of risk you want to take, then you have the maximum return.

So you’re right that sometime it’ll be because the frontier goes down. So that’s the part of the market condition we don’t control. What we can control is how do we make sure that we remain optimal?

The second part is I have an army of portfolio managers and we staffed up the ALM, the asset allocation, the infrastructure to optimize. We pursued the biggest ideas, but there’s a long list of other ideas that we’ll continue to pursue to model, to try to push. Assuming market conditions to be constant, then we can still slightly push it further. And as I said, even if it comes in 1 or 2 or 3 or 5 basis points, it is worth the effort because the cost to make that investment is small in relation to the expected return that comes up.

**Meny Grauman**

Got it. Thank you. And then the second question really, again, is following up on this increased allocation to corporate bonds. Obviously, I think the focus here is related to the fact that the consensus view definitely sees the credit cycle likely deteriorating. So the question is in terms of the timing of increasing that allocation right now.

So I guess the question is, is this a call on behalf of the Company that views that credit risk as lower than, let’s say, what the consensus thinks right now? Or is again, we should look at it more holistically in terms of overall portfolio optimization and not necessarily read into that more explicit view of credit that maybe is more favourable than what most people would suggest right now.

**Alain Bergeron**

Yes. Thank you for the opportunity to clarify on that front. This is not a tactical call. This is not a reflection whether we believe that we will outperform the market by having a better view of where credit will unfold or the return on credit will unfold over the next three, six, or twelve months. This is a risk management call with this reality and the framework we’re in. In the economic standpoint, we were underweight credit, essentially. So with this, the portfolio optimization and the transaction we've done, we removed the implied underweight.

**Meny Grauman**

Thank you.

**Marie-Annick Bonneau**

Well, thank you, Meny.

The next question is from Lemar Persaud. Lemar?

**Lemar Persaud**

Thanks. A lot of questions for Alain, but I want to take it one level higher because most of mine have been asked and answered. You talked about how there's some additional portfolio requirements in 2023 and beyond. Can you elaborate on what additional refinements are needed? Is it just movements in that efficient frontier? Because it seems to me like the messaging is that a lot of the heavy lifting was already done in 2022. So is that fair?

**Alain Bergeron**

It's fair to say that the vast majority—it's hard to put the number. Is it 90? Is it 95? It's somewhere in that zone. But as I'm sure that a lot of the PM that you would cover on your clients, they often are looking for ways to improve and scratch it further. This is really the same thing. What I'm trying to say is this is now, the transition is done. We've reaped the biggest benefits. But it's not a reason to sit on our laurels and say we're done. So the idea is to do more research, too. There's areas that we've deemed as maybe having less potential and being a fair bit more effort. So these are the areas that are on our research agenda to see if they will have a little bit more impact. They're worth pursuing, but some will take months, some will take years before we fully cover them.

**Lemar Persaud**

Gotcha. I appreciate that. And then—

**Alain Bergeron**

But it’s just at the same time, I said, don’t underestimate the complexity of portfolio optimization and three dimensions when you’re trying to get the last 3 or 4 or 10 basis points.

**Lemar Persaud**

That’s helpful. Thank you. And then maybe just moving over to Denis. You talked about Dealer Services, the intention to replicate the success that you’ve had in Canada in the US. With all the additional capital available for deployment now, would it be fair to suggest you’re going to be looking at deploying that more aggressively moving forward?

**Denis Ricard**

Well, the word aggressively may be too much here. So deploy, yes. But we’ll do it in a prudent manner. And yes, the Dealer Services in the US is a business that we are interested to grow going forward. There are opportunities in the US because it’s a more fragmented business than in Canada. In Canada, it’s very much concentrated in two players and we’re one of them. But in the US, there are several players, and we want to take advantage of that right now.

And the fact is, the fact that the economy is, as we know, is a bit turbulent these days, it can create some opportunities for us. And the fact that there were some issues about the auto industry recently, it can create opportunities for us. So yes. We are active in that field.

**Lemar Persaud**

Okay. And then sticking with you here. Help me square up a longer-term ROE potential of IAG? I guess, you’re coming out saying $1.8 billion of available capital for deployment. That’s material to

Industrial Alliance just given your size. And if you were able to deploy all of this, it seems to me that it could push...

If you were able to deploy all of this, it seems to me that it could push ROE materially higher from that 15 percent plus. So I guess I'm a little bit surprised at going from 13 percent to 15 percent to only 15 percent plus. So help me square that up. The $1.8 billion of available capital, if you were to deploy it tomorrow, could we not be talking about iA is moving to 17 percent plus?

**Denis Ricard**

Maybe I'll start and Jacques, if you want to complement, it's fine. It's a great question, I mean, and we obviously looked at that one. And we made scenarios, for example, at the extreme if you buy back the stocks or if you invest in an acquisition that bring, obviously, some ROE measures in the first years, whatever. But I think it's fair to say that the ROE could increase, whether it's 1 percent, 2 percent, or even 3 percent at the extreme; would be left for the situations where we would be in, because obviously the scenarios are all multiple there. But certainly, 16 percent, 17 percent could be, if we deploy it in a prudent manner, could be a range where we would be in a few years.

**Jacques Potvin**

Maybe what I would add on that, Lemar, is the fact that when you're buying, when you're making an acquisition, the impact on ROE in early years really depends if it's a growth story or if it's an in-force. I will use an in-force block. The in-force block, you will expect a stable ROE over time. If you buy a growth story, the ROE in the early years will be lower than in future years. So that's why I think Denis' answer is pretty good in regard of that. But we have to keep in mind, depending on the acquisition, it may take a few years to get to those level.

**Lemar Persaud**

Thanks.

**Marie-Annick Bonneau**

Now to Tom MacKinnon. For your information, due to technical issues, the question from Tom will be read by Jacob Gershuny, who is Manager, Investor Relations at iA. So no matter how well we prepare, there are always technical issues. So, Jacob, can you read the question, please?

**Jacob Gershuny** — Manager, Investor Relations, iA Financial Group

Yep. On Slide 32, you mentioned impact of new business. I'm assuming this is on onerous contracts only since on non-onerous contracts, this would flow through to CSM. Correct?

**Jacques Potvin**

It's correct.

**Jacob Gershuny**

So on the same slide, you mentioned insurance and assumption changes and management actions. I assume this is on onerous contracts only. For non-onerous contracts, this would flow through to CSM as well. Correct?

**Jacques Potvin**

My recollection is yes. Those are the ones. There may be few elements as well that will play there. But you're probably right because the CSM will absorb all business change. So for an onerous contract, you're right. It will be there.

**Jacob Gershuny**

On the same slide, on Slide 32, shows the drivers of earnings disclosure ends up with a net income to common shareholders, bottom line. Why does this not lead to an all-important core earnings? How can we get core earnings from this disclosure?

**Jacques Potvin**

In fact, the driver of earnings is all billed with core results.

**Jacob Gershuny**

I guess one last question. Why increase the core ROE target from 13 percent to 15 percent to 15 percent? What are the key reasons for this increase, if the book value didn't increase? The earnings impact is largely neutral. Is it due to capital deployment and investment optimization?

**Jacques Potvin**

Yes.

**Marie-Annick Bonneau**

Thank you. So now to Scott Chan. Scott?

**Scott Chan**

Thanks a lot. Good morning. Very helpful presentation.

Denis, maybe just you talked about several areas on the M&A side. And I was curious about asset management, because when I look at your AUM relative to AUA, there's such a wide gap. Is that an area of focus of potential on the M&A side?

**Denis Ricard**

The answer is pretty easy. It's yes. Asset management is a business we're interested in.

**Scott Chan**

And then, Alain, on your base assumption, going back to the corporates and increasing the BBBs, you gave a sensitivity of 1 bip off the $40 billion, $4 million in net income. You talked about some bips, but can you quantify that? And how much is that, I guess, implemented in your EPS growth target for 2023?

**Jacques Potvin**

Go ahead, Alain.

**Alain Bergeron**

Okay. So at the risk of repeating, so the transition was completed throughout 2022. And January, February, is when we finalized some elements. So I say for most of 2023, we have the desired positioning. That's number one. Number two, yes, we can quantify it, but in terms of what and how it's disclosed, then I'll ask Jacques to comment more specifically on that.

**Jacques Potvin**

Yeah. Actually, Scott, our guidance is considering the macroeconomic environment at the end of 2022. So that's what you have to keep in mind.

**Scott Chan**

Okay. And maybe lastly, the restatement on 2022 reported EPS of $2.90 or $2.91. Is that related to this implementation? And maybe you can elaborate on kind of that impact that happened. That's probably not going to continue, I guess, going forward, is the message.

**Jacques Potvin**

Actually, no. It won't continue. And that's the reason why we provided the sensitivity to all our metrics, the reported earnings, the core earnings, as well as solvency ratio. 2022, you have to remember it was a transition year. We really have had to transit and to finish the year under IFRS 4. Alain mentioned it; we still made adjustment in our portfolio in Q1 2023. So really, if we want to look forward, those are the sensitivity we are providing that are the best indicator.

**Scott Chan**

Got it. Thank you.

**Marie-Annick Bonneau**

And we now have a question from Darko Mihelic. Darko?

**Darko Mihelic**

Hi. Thank you. Good morning. Thanks for the presentation.

Jacques, in your remarks, you mentioned that you're moving the solvency ratio operating target to 120 percent from 116 percent. You also then suggested, hey, we feel good about the new level. But I would have assumed that if you're going to a higher level, that maybe some of your work, maybe what you'd seen in the transition year, that maybe there is a higher level of volatility in the solvency ratio. Can you reconcile those for me? Is it in fact that we should be prepared to see a higher volatility of your capital ratio?

**Jacques Potvin**

Yeah. That's a good observation, Darko. Actually, what I think is that when we use our internal risk model, we got to the 120 percent as a comfortable zone. And like I mentioned, we wanted to achieve the same comfort zone as we had before. Presently, the sensitivity of our ratio is low, I would say, when you look at that. But we want to leave a little bit, some quarter with it to see. But I will expect that it may move. We will see how it will go. So we prefer to be prudent here and work with the 120 percent. That's really our mantra.

**Darko Mihelic**

Okay. So it has nothing to do with what you've seen during the parallel run or any kind of sensitivity work you've done. It's just simply, it's a new regime. And so you're just adding 4 percentage points. Is that right?

**Jacques Potvin**

Yeah. And actually, parallel run, we have to forget about that then because we were not optimal in our investment strategy. So we have to produce parallel. We will produce it. And I strongly believe we won't be the only company to say that. Don't look at that because we had to manage under IFRS 4 at the same time as IFRS 17. So looking forward, use the sensitivities we're providing. Those are best indicators.

**Denis Ricard**

In a nutshell, Darko, the way I see it, 2022 is irrelevant because we didn't have our portfolio being managed based on the long-term approach that we want. So it's totally irrelevant.

**Darko Mihelic**

And that would be the only element to sort of ignore. So if we were to see the 2022 parallel run, could we use all the other elements of that as a baseline for 2023?

**Jacques Potvin**

Yeah. Actually, the non-insurance business, you're okay with it. And in fact, what we're saying about 2022, it's more about all the sensitivity of our balance sheet to the macroeconomic environment. That's really where the implementation of the total portfolio management approach, that has reduced significantly our sensitivity. And we are now where we want to be, and those are the sensitivities we're providing.

So that's what we're cautioning you about in 2022. We've been affected by macroeconomic environment, but we're not optimal in our asset-liability matching. So this is the reason why. So yes. Non-insurance, you can use that as a basis. And after that, I would propose maybe that we have provided in our slides showing the driver of earning. We provided you with the contribution from each sector. We provided you a guidance. So if you work with that, it can help you to maybe judge about 2022 as a basic.

**Marie-Annick Bonneau**

So I no longer see any virtual hands raised. If you still have a question, it's not too late, but do worry. For investors, as you know, the Q&A session was only for financial analysts. But you have my contact information on our website at ia.ca and we will answer all questions that will be addressed to us.

Before we conclude, well, to conclude the session, I would like to ask our CEO Denis to say a few additional comments.

**Denis Ricard**

Well, thank you for having been here today.

In conclusion, I think what should we remember from this session? The first thing that I think is very important, unchanged business model. We will continue managing the business for the long term, and now we have an optimized investment strategy for better ALM.

Second, our strong capital position. We're a solvency ratio of 154 percent. And keep in mind that the low sensitivity of the solvency ratio is very important. Also, we've got, let's say, nearly $2 billion of deployable capital that is available. And we're obviously looking for opportunities to deploy that capital and we'll continue doing it in a prudent manner.

And lastly, I would say that we're increasing the ROE. And this is very important for us, and we still have room to increase it as we deploy our capital.

So with that said, I would like to thank you for being here and well, see you soon.

**Narrator**

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